BUDGET ADDRESS
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Budget Address

[CHECK AGAINST DELIVERY]

Mr. Speaker, I rise to present this government's budget for the coming fiscal year.

In my first budget speech, I said that this government was moving forward prudently in building a sustainable territory. At the time, the global economy had just plunged into a serious recession. A cautious approach seemed best.

Prudence was the central idea for the second and third budgets and it remains my policy today.

With the passage of time, Mr. Speaker, we can see that this cautious approach of prudent financial management can build a solid foundation for our future.

In this sensible approach, we live within our means, continuously improve our financial management, use debt appropriately, and plan for the future that we desire and deserve.

Our sensible approach is paying dividends. Today, we project a small surplus for the year ahead.

Here is our fiscal situation. For the current year, we project spending of $1.45 billion, and revenues at $1.37 billion.

In my last budget, I anticipated a deficit of $50 million. Today, including adjustments for revolving funds, capital-plan carryovers, and our $25 million contingencies fund, I expect the deficit could fall to $34 million.

Next year, the government plans to spend $1.34 billion, and to receive $1.47 billion. After adjustments for revolving funds, capital-plan carryovers and contingencies, we forecast a surplus of $37.7 million. Moreover, the contingency fund, set at $78 million, cushions our surplus.

Our forecast surplus depends on our ability to collect our anticipated revenues, and to control our spending.

I will address the spending issues in a few minutes. On the revenue side, we face two risks. The first — the federal government could change our financial arrangements. The second — the economy might not grow as we have forecast.

Fully 92 per cent of our revenue comes to us from the federal government. The Territorial Formula Financing arrangement accounts for 86 per cent of our revenue. With a devolution agreement, we

could reduce our dependence on the federal government. Until that time, this arrangement will remain our primary source of funds.

I can assure the House that discussions on renewing our arrangement beyond 2014 are progressing well. We have received assurances from the federal government that the renewal will occur with no cutbacks. We look forward to concluding a new agreement that transparently reflects our real expenditure needs.

While the first risk appears minimal, we cannot say the same about the second. The Nunavut economy has grown strongly over the long term, averaging 4.5 per cent per year. Our economy will have doubled in little more than a decade. But our growth year-over-year is volatile. With a short construction season, large projects can slip from one year into the next, which affects the timing of our revenues.

There is also uncertainty about the mining sector. Although the Meadowbank gold mine is operating, Newmont has put its Hope Bay gold mine on hold. At the same time, exploration continues elsewhere.

Overall, I am encouraged by our very real potential. Ultimately, mining investment will probably accelerate, producing jobs and revenue. Until then, however, we must remain vigilant about our fiscal situation.

Looking beyond the current situation, let me discuss the approach that this government has chosen toward the remainder of our mandate. The term of this Legislative Assembly will expire in about 18 months. During this time, this government will continue to pursue the objectives defined in the *Tamapta* action plan.

Generally, I group our work under four headings: An improved financial management, a better quality of life, a sustainable approach to development, and an improved ability to define, enable and manage our collective growth.

Improved financial management tops my list. We are steadily improving our ability to manage taxpayers' dollars, and will improve further. This improved capacity is crucial to our long-term goals for development. And it is essential if we are to realize our full potential as a self-governing people.

Our government worked closely with the federal government and the Office of the Auditor General. We upgraded computer systems and networks, improved reporting mechanisms, and strengthened managers' skills. Today we are better able to set fiscal targets with greater confidence that they will be achieved.

Already this approach has delivered benefits. The *Nunavut Act* requires us to table our financial statements for each year by December 31st. This means that we have nine months to table audited statements.

I'm pleased to report that we received an unqualified opinion from the Auditor General on December 5th. In meeting the statutory deadline, we have made very real progress. I would invite members to recognize the excellent work performed by our public service.

Looking ahead, we will rebuild our depleted cash balances, while continuing to provide Nunavummiut with proper services. We will establish a fiscal policy that defines our path two or three years forward, enabling us to make better decisions. We will continue to respect the principles of openness and transparency, so that Nunavummiut can see our objectives and follow our progress.

Our improved financial management will better enable Nunavut to grow and prosper. In managing public money properly, we show that we are ready to take charge of our future.

Improved financial management also gives us confidence in managing our debt. This is important. As we develop Nunavut, we will incur more debt. Today we face a debt ceiling that will soon limit our growth.

As members know, the government cannot borrow more than $200 million. This limit was set by the *Nunavut Act*, a federal law. The limit has not risen ever. At the end of December, our debt exposure reached about $140 million.

Let us be clear that the issue is not government spending. In running a balanced budget, we create no debt. However, the government does use debt to finance three territorial corporations. As these corporations have grown, so has our debt exposure.

This exposure will rise further if we use debt for our future infrastructure needs. The House has approved new capital spending of $95 million for next year. This includes new investments of nearly $18 million for schools and other educational facilities, $16 million for housing, and nearly $31 million in public buildings and facilities.

This $95 million, plus a $45 million carryover from this year's budget, will make about $140 million available next year.

Our infrastructure deficit, however, greatly exceeds this amount. Just one project, the Iqaluit airport upgrade, would punch right through the current debt ceiling.

Having surveyed all communities about their capital needs, the Department of Community and Government Services thinks we would need to spend about $6 billion over 20 years.

In building a solid foundation for our future, we would need to double, even triple, our annual capital plan. We cannot do this within our current budget.

Accordingly, we look forward to discussing investment partnerships with the federal government and the private sector. And we are discussing with the federal government an increase in our debt limit.

Our improved financial management gives us confidence that we can manage a larger debt without compromising programs and services.

Improving these programs and services is also an important priority. We are focused on helping Nunavummiut to improve our quality of life. By that I mean our general well-being, or the degree to which all of us enjoy the possibilities of life. Our government will improve housing, fight poverty, and enable healthier lives.

To be clear, we have no greater challenge than housing. According to the Nunavut Housing Needs Survey, Nunavut needs nearly 3,600 housing units to address homelessness, overcrowding, and major repairs. Each year, this number will rise by 90 housing units.

Our government faces this need with limited financial resources. We allocated the Nunavut Housing Corporation an additional $10.6 million next year, for a total budget of $158 million. The corporation will increase its support for public housing by $11 million, and staff housing by $1.8 million. Most of these funds will cover the cost of utilities and maintenance.

We would prefer to build new housing, but it would take well over $1 billion to address our current housing needs. Accordingly, we will promote the benefits of private homeownership as well as greater private sector involvement in building homes. At the same time, the housing corporation will continue to advocate for a renewed federal investment.

Beyond the housing crisis, we must also tackle the serious issue of crime. According to Statistics Canada, our violent crime rate in 2010 rose nearly 10 per cent. In pursuit of making our communities safer, the RCMP are working to tackle the sources of crime. They have engaged a crime analyst to compile intelligence and crime statistics.

We are close to concluding an agreement to renew the RCMP policing contract. The current agreement expires at the end of next month.

Mr. Speaker, poverty and hunger remain important challenges. Too many Nunavummiut are living with too little food. According to a recent McGill University study, six in ten people live in homes whose food supply has failed.

In the coming year this government will convene a Nunavut Food Security Coalition. With partner organizations, we will secure the food supply through better access to country foods, and new programs for breakfast and lunch at school. If our children hunger for anything, it should be for knowledge.

We will also move forward as promised with legislation to implement the Poverty Reduction Action Plan before the end of this mandate.

In addition to meeting the challenges of housing, poverty and hunger, we face the test of providing Nunavummiut with better health care and social services. The Department of Health and Social Services will receive an additional $19 million next year to cover increasing costs in almost all areas of operation. Its budget, rising six per cent to nearly $317 million, is larger than that of any other department.

A health care system that is efficient and effective should enable better health through treatment and prevention and, at the same time, keep costs under control. A social services system should help people to become self-sufficient.

In Nunavut, this is far from easy. Our health indicators often fall far below the Canadian average, and we face troubling rates of child abuse, family violence and suicide.

We recognize that addictions are a significant problem, and will launch a pilot treatment program this spring. Participants from across the Kitikmeot region will receive 28 days of residential care. We will use an existing building in Cambridge Bay, and support the project through my department's Mental Health and Addictions Division.

The program will include family counselling, education and follow-up — services that although badly needed are not available now. If the program succeeds, we will take it into more communities. I am looking forward to the results. Drugs, alcohol and gambling are leading contributors to our social problems. They deny opportunities for Nunavummiut to lead healthy, rewarding lives. We need this addictions program to make a real difference.

We will also need to take a close look at the role of liquor in our communities. My Liquor Act Task Force will soon complete its extensive consultations with all communities. I will give the report the serious consideration that it deserves.

This government will also act to reduce tobacco consumption. Our lung cancer rates far exceed the Canadian average. Heart disease, stroke, and tuberculosis rob Nunavummiut of their future, and are very expensive to treat. Nunavummiut must smoke less. We will help.

We will increase the tax on tobacco products to further support our campaign against their use. We will raise the tax by four cents per cigarette, or $1 per pack of 25. The tax on loose tobacco will rise

from 14 cents per gram to 20 cents per gram. Based on current consumption, these measures will produce additional revenue next year of $3 million. We will use a portion of these new revenues for smoking prevention and cessation programs.

These measures to improve our quality of life, backed by our efforts to improve financial management, should contribute significantly to our progress. As we pursue these priorities, we must ensure that our approach is sustainable.

By this I mean that we manage our resources both for today and for the future. When we combine the best available scientific knowledge with Inuit societal values, we know that the decisions that benefit us today will also benefit our descendants well into the future.

This is why proper management of renewable resources matters for Nunavut, and why we must do a better job of explaining our actions beyond our borders. The price of misunderstanding can be high, as we saw in European decisions about our sealing industry.

To improve awareness and understanding, the Environment Department will launch a communications campaign to explain our sustainable development approach. To better protect the economic contribution of our harvesting sector, we will expand our efforts to ensure that foreign audiences better understand our wildlife management practices.

Mr. Speaker, I have described three of our priorities — sustainable development, improved quality of life, and better financial management. In pursuing all of these, we also see the need to build our capacity. Within government, this means that we will improve our ability to provide Nunavummiut with programs and services. More broadly, capacity building means we will help to equip Nunavummiut with the skills, knowledge and ability to build happy and rewarding lives.

In this pursuit, education plays an important role. In the coming year, the Department of Education will receive an additional $8 million — an increase of nearly four per cent. Teachers will receive most of this increase, in line with their recent collective agreement.

The Education Department will also improve programs for early childhood development, and plan to engage parents as key partners in the education of their children.

The department has also created a mature graduation program. It will help more adults to complete high school, and qualify for post-secondary education and training opportunities.

In addition to education, the Inuit Language also plays an important role in our plan. This government remains committed to implementing fully the *Inuit Language Protection Act* and the *Official Languages Act*. The Minister of Languages tabled the proposed *Uqausivut* Implementation Plan eight months ago, and has been reviewing public comments. This government expects to bring the final implementation plan to this House during the spring session.

This government is also working to promote the Inuit language and cultural values in all territorial institutions. The departments of Human Resources and CLEY are developing a language policy for the public service. It will include provisions on the right to work in the Inuit language.

We will also strengthen the public service by ensuring that our government's structure and procedures are effective and efficient in the pursuit of our priorities and goals.

The government proposes to transfer the sport and recreation responsibilities of the Department of Culture, Languages, Elders and Youth to the Department of Community and Government Services. The Nunavut Arctic College would take over responsibility for the *Piqqusilirivvik* cultural school. Lastly, the Energy Secretariat, housed in the Department of Executive and Intergovernmental Affairs, would transfer into the Department of Economic Development and Transportation.

We will ask this House to approve these changes through a Supplementary Appropriation.

As well, the government is examining whether to divide the Department of Health and Social Services into two distinct departments. The Standing Committee on Oversight of Government Operations and Public Accounts recommended this restructuring. I have received a consultant's report on this matter and forwarded it to all members. The government is considering how best to proceed.

Mr. Speaker, there are two other areas in which we will strengthen the public service. First, this government will ensure that we provide Nunavummiut with better information about how we work on their behalf.

Several departments will strengthen their ability to meet the public's information needs. The communications group in the Department of Executive and Intergovernmental Affairs will act as a central resource. It will support other departments, identify staffing needs, and provide leadership and guidance.

The government will also improve its websites, and complete the process of placing bilingual Government Liaison Officers in all communities.

In strengthening the public service, we will also address fairness in government procurement. We will ensure that the government properly applies the goals of the *Nunavummi Nangminiqaqtunik Ikajuuti* policy.

In public procurement, Inuit firms and entrepreneurs should have a reasonable prospect of winning bids. We have heard from Nunavut contractors that there is a real need to rewrite our policy in plain language that is clearly understood and consistently applied.

This government will review the NNI policy in consultation with Nunavut Tunngavik. We will ensure the policy complies with article 24 of the *Nunavut Land Claims Agreement*.

Mr. Speaker, in these four areas, we see our priorities for the remainder of our mandate. We will work to improve our capacity to manage our collective growth. We will pursue a sustainable approach to development. We will work to improve our quality of life. And we will continue to improve our financial management.

I am encouraged by our progress in each of these areas. The picture is increasingly positive. This government has exercised a cautious approach to the use of public money and property. Our approach has been proven correct. We have learned to manage better, and we have steadily improved the programs and services that we provide to Nunavummiut.

We still face large challenges, especially in housing and infrastructure. But we are increasingly able to meet these challenges in partnership with Nunavummiut, private industry, and the federal government.

I look forward to working with all members to make real progress for Nunavummiut. Increasingly, the goals of *Tamapta* lie within our reach.

Thank you.